ORBIT INTERNATIONAL CORP.

ANNUAL REPORT
DECEMBER 31, 2023

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Disclosure Statement Pursuant to the Pink Market Disclosure Guidelines

ORBIT INTERNATIONAL CORP.

80 Cabot Court
Hauppauge, NY 11788

631-435-8300
www.orbitintl.com
orbit.investor-relations@orbitintl.com

Annual Report
For the Period Ending: December 31, 2023

Outstanding Shares

The number of shares outstanding of our Common Stock was:

3,347,785 as of April 15, 2024

3,341,860 as of December 31, 2023

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control[1] of the company has occurred during this reporting period:

Yes: ☐ No: ☒

[1] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Orbit International Corp.

Current State and Date of Incorporation or Registration: Delaware; December 1986
Standing in this Jurisdiction: Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

N/A

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Address of the issuer's principal executive office:

80 Cabot Court
Hauppauge, NY 11788

Address(es) of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If, Yes, provide additional details below:

N/A

2) Security Information

Transfer Agent

Name: Equiniti Trust Company, LLC
Phone: 718-921-8200
Email: admin44@equiniti.com
Address: 6201 15th Avenue, Brooklyn, NY 11219

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	ORBT	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	685559304	
Par or stated value:	$0.10	
Total shares authorized:	10,000,000	as of date: 12/31/2023
Total shares outstanding:	3,341,860	as of date: 12/31/2023
Total number of shareholders of record:	93	as of date: 12/31/2023

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

N/A

Please provide the above-refenced information for all other classes of authorized or outstanding equity securities.

N/A

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. **For common equity, describe any dividend, voting and preemption rights.**

   Common stockholders are entitled to both cash and stock dividends declared by the Board of Directors. Common stockholders are entitled to vote in person or by proxy at our Annual Meeting of Stockholders for each share of stock held. Common stockholders do not have any preemption rights.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

   N/A

3. **Describe any other material rights of common or preferred stockholders.**

   The Company's only class of stock is common stock. Material rights are described in #1 above.

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

   None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities ***in the past two completed fiscal years and any subsequent interim period****.*

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares outstanding Opening Balance: Date: 12/31/21 Common: 3,446,522 Preferred: N/A	*Right-click the rows below and select "Insert" to add rows as needed.								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided**	**Restricted or Unrestricted as of this filing.**	**Exemption or Registration Type.**
1/1/22-3/31/22	New Issuance	1,000	Common	$6.50	No	William Collins	Independent Director Restricted Stock Grant	Restricted	SEC Act-Section 4(a)(2)
1/1/22-3/31/22	New Issuance	1,000	Common	$6.50	No	Bernard Karcinell	Independent Director Restricted Stock Grant	Restricted	SEC Act-Section 4(a)(2)
1/1/22-3/31/22	New Issuance	1,000	Common	$6.50	No	Wayne Cadwallader	Independent Director Restricted Stock Grant	Restricted	SEC Act-Section 4(a)(2)
4/1/22-6/30/22	New Issuance	8,000	Common	$7.50	No	Mitchell Binder	Discretionary Restricted Stock Grant	Restricted	SEC Act-Section 4(a)(2)
1/1/22-12/31/22	Shares returned to treasury	(96,335)	Common	N/A	N/A	N/A	N/A	N/A	N/A
1/1/23-3/31/23	New Issuance	1,000	Common	$6.38	No	William Collins	Independent Director Restricted Stock Grant	Restricted	SEC Act-Section 4(a)(2)
1/1/23-3/31/23	New Issuance	1,000	Common	$6.38	No	Wayne Cadwallader	Independent Director Restricted Stock Grant	Restricted	SEC Act-Section 4(a)(2)
1/1/23-3/31/23	New Issuance	1,136	Common	$6.38	No	William Collins	Issuance of restricted stock in lieu of cash for director compensation	Restricted	SEC Act-Section 4(a)(2)
1/1/23-3/31/23	New Issuance	917	Common	$6.70	No	Marshall Sterman	Independent Director Restricted Stock Grant	Restricted	SEC Act-Section 4(a)(2)

4/1/23-6/30/23	New Issuance	1,074	Common	$6.75	No	William Collins	Issuance of restricted stock in lieu of cash for director compensation	Restricted	SEC Act-Section 4(a)(2)
7/1/23-09/30/23	New Issuance	1,160	Common	$6.25	No	William Collins	Issuance of restricted stock in lieu of cash for director compensation	Restricted	SEC Act-Section 4(a)(2)
10/1/23-12/31/23	New Issuance	1,686	Common	$4.30	No	William Collins	Issuance of restricted stock in lieu of cash for director compensation	Restricted	SEC Act-Section 4(a)(2)
1/1/23-12/31/23	Shares returned to treasury	(27,300)	Common	N/A	N/A	N/A	N/A	N/A	N/A
Shares Outstanding on Date of this Report: Ending Balance: Date: 12/31/2023 Common: 3,341,860 Preferred: N/A									

Example: A company with fiscal year end of December 31. 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

None

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	**Outstanding Balance ($)**	**Principal Amount at Issuance ($)**	**Interest Accrued ($)**	**Maturity Date**	**Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)**	**Name of Noteholder. *You must disclose the control person(s) for any entities listed.**	**Reason for Issuance (e.g. Loan, Services, etc.)**
______	______	______	______	______	______	______	______

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

N/A

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
Ensure that these descriptions are updated on the Company's Profile on www.otcmarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Company conducts its operations through its Electronics and Power Groups. The Company's Electronics Group ("OEG") is comprised of its Orbit Instrument and Tulip Development Laboratory ("TDL") Divisions and its SPS and Q-Vio subsidiaries. The OEG is engaged in the design, manufacture and sale of customized electronic components and subsystems. The Power Group ("OPG") is comprised of the Company's subsidiary, Behlman Electronics Inc. ("Behlman"), and is engaged in the design and manufacture of VPX/VME power supplies, high quality commercial power units, AC power supplies, frequency converters and commercial-off-the-shelf ("COTS") power solutions. The Company and its divisions and Behlman and Q-Vio subsidiaries are located at 80 Cabot Court, Hauppauge, NY 11788 and can be contacted at 631-435-8300. The Company's SPS subsidiary is located at 21818 S. Wilmington Ave, Suites 401-405, Carson, CA 90810.

B. List any subsidiaries, parent company, or affiliated companies.

The Company's subsidiaries include Behlman, SPS and Q-Vio and its divisions include Orbit Instrument and TDL.

C. Describe the issuers' principal products or services.

The OEG's principal products include remote control units ("RCU"), intercommunication panels, displays, keyboards, keypads and pointing devices, operator control trays, command display units ("CDUs"), the design and enhancement of LCD display modules, military simulation and training bezels, electronic control assemblies and multi-function displays. These products are used primarily in support of military programs. The OPG's principal products include power supplies, frequency converters, and inverters. These products are primarily used in commercial applications and in support of military programs.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership

The Company's plant and executive offices are located at 80 Cabot Court, Hauppauge, New York. This facility, which consists of approximately 60,000 square feet (of which approximately 50,000 square feet are available for manufacturing operations) in a two-story, brick building, was completed in October 1982 and expanded in 1985. The Company is currently operating this facility at approximately 70% of capacity. In March 2001, the Company entered into a 12-year net lease for this facility and effective January 1, 2011, the Company entered into an amendment to that lease which extended the expiration date to December 31, 2021. From January 2017 to December 31, 2021, the Company's lease payments were $38,600 per month. In June 2021, the Company entered into another amendment to the lease which extended the lease expiration date to December 31, 2027 and modified the lease payments as follows: approximately $44,583 per month for January 2022 through December 2024 and approximately $47,917 per month for January 2025 through December 2027. In connection with the lease amendment, the Company's landlord agreed, at its sole expense, to make certain improvements to the facility.

The Company's SPS subsidiary occupies an approximately 4,000 square foot facility located at 21818 S. Wilmington Ave., Suites 411 and 412, Carson, CA 90810, which used to serve as its administrative and manufacturing facility and is now used for limited storage. In June 2022, SPS entered into a lease for an additional 1,920 square feet located at 21818 S. Wilmington Ave, Suite 405, Carson, CA to serve as additional administrative and manufacturing space. The monthly lease payments for Suites 411 and 412 were $4,002 for January 2022 through May 2022 and $4,123 for June 2022 through May 2023. The lease expired on May 31, 2023, and is currently month-to-month at the same monthly lease payment of $4,123. SPS expects that it will vacate and terminate its lease for Suites 411 and 412 sometime during the second or third quarter of 2024. The monthly lease payments for Suite 405 are $2,880 for July 2022 through June 2023, $2,974 for July 2023 through June 2024 and $3,070 for July 2024 through June 2025. The lease expires on June 30, 2025. In August 2023, SPS entered into a lease at the same Carson, CA location for an additional 6,720 square feet of contiguous space located in Suites 401 through 404 which are adjacent to Suite 405. Suites 401 through 405 serve as its administrative and manufacturing facility. The lease for suites 401 through 404 commenced October 2023 and is for sixty (60) months with an option to extend for another sixty (60) months. The monthly lease payment for Suites 401 through 404 is $10,080 beginning in October 2023 and continuing through March 2026. In April 2026, the monthly rent will increase to $11,239 and continue through October 2028. SPS also occupies an approximately 1,500 square foot facility located at 1241 E. Chestnut, Unit M, Santa Ana, CA 92701 which serves as its machine shop. The monthly lease payment at this facility is $1,450 and the lease is month-to-month.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.
If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Name of All Officers/Directors and Control Persons	Affiliation with Company (e.g. Officer Title/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Mitchell Binder	President, CEO, and Director	Hauppauge, NY	175,302	Common	5.25%	N/A
David Goldman	CFO, Treasurer, Assistant Secretary, and Director	Hauppauge, NY	19,742	Common	0.59%	N/A
Karl Schmidt	COO	Hauppauge, NY	30,250	Common	0.91%	N/A
Wayne Cadwallader	Director	Hauppauge, NY	3,200	Common	0.10%	N/A
William Collins	Director	Hauppauge, NY	169,564	Common	5.07%	Ownership amount includes shares owned by Brencourt Capital Management LLC, a family office in which Mr. Collins serves as CEO.
Marshall Sterman	Director	Hauppauge, NY	917	Common	0.03%	N/A
Marcus Bryant	Secretary	Hauppauge, NY	-	N/A	N/A	N/A
Elkhorn Partners Limited Partnership – Alan S. Parsow, General Partner 8405 Indian Hills Drive, #2A8 Omaha, NE 68114	Owner of more than 5%	Omaha, NE	2,066,100	Common	61.82%	Includes shares owned individually by the partnership's general partner.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

None

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

None

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

   None

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

   None

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

   None

6. Been the subject of a U.S. Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S. mail.

   None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

   None

8) Third Party Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.
Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel(must include Counsel preparing Attorney Letters).

Name:	Irvin Brum
Firm:	Ruskin Moscou Faltischek, P.C.
Address 1:	1425 RXR Plaza
Address 2:	East Tower, 15th Floor, Uniondale, NY 11556
Phone:	516-663-6610
Email:	ibrum@rmfpc.com

Accountant or Auditor

Name:	Michael Monahan
Firm:	CohnReznick LLP
Address 1:	1305 Walt Whitman Road
Address 2:	Melville, NY 11747
Phone:	516-336-5509
Email:	michael.monahan@cohnreznick.com

Investor Relations
N/A

All other means of Investor Communication:

The Company subscribes to the OTC Disclosure and News Service and issues press releases for its earnings, contract awards and other material announcements.

Other Service Providers

Provide the name of any other service provider(s) **that assisted, advised, prepared or provided information with respect to this disclosure statement.** This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

N/A

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **David Goldman**
Title: **CFO**
Relationship to Issuer: **Employee**

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual)[2]:

Name: **David Goldman**
Title: **CFO**
Relationship to Issuer: **Employee**

Describe the qualifications of the person or persons who prepared the financial statements:

Mr. Goldman is a Certified Public Accountant (CPA) and a Chartered Global Management Accountant (CGMA) with approximately 21 years of experience working as CFO, Controller and Treasurer for the Company. Prior to joining the Company, Mr. Goldman worked for over 10 years as the Assistant Controller and Accounting Supervisor of a publicly held commercial and defense electronics manufacturer and in public accounting. Mr. Goldman is a member of the American Institute of Certified Public Accountants (AICPA) and the New York State Society of CPA'S (NYSSCPA)

Provide the following qualifying financial statements:

a. Audit letter, if audited;
b. Balance Sheet;
c. Statement of Income;
d. Statement of Cash Flows;
e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity);
f. Financial Notes;

[2] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Mitchell Binder certify that:

1. I have reviewed this Disclosure Statement for Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 16, 2024
/s/ Mitchell Binder
CEO

Principal Financial Officer:

I, David Goldman certify that:

1. I have reviewed this Disclosure Statement for Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

7. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 16, 2024
/s/ David Goldman
CFO

Independent Auditor's Report

To the Board of Directors and Stockholders
Orbit International Corp.

Opinion

We have audited the consolidated financial statements of Orbit International Corp. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Orbit International Corp. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orbit International Corp. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Orbit International Corp. and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Orbit International Corp. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orbit International Corp. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines and Annual Report for 2023 (collectively the "Annual Report"). The other information in the Annual Report does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Annual Report, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Annual Report and consider whether a material inconsistency exists between the other information in the Annual Report and the consolidated financial statements, or the other information in the Annual Report otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ CohnReznick LLP

Melville, New York
April 16, 2024

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,265,000	$ 4,215,000
Accounts receivable, less allowance for credit losses of $85,000 and $110,000 at 2023 and 2022, respectively	3,648,000	3,819,000
Inventories	10,034,000	9,618,000
Contract assets	384,000	436,000
Other current assets	445,000	655,000
Total current assets	15,776,000	18,743,000
Property and equipment, net	1,221,000	770,000
Right-of-use assets, operating leases	2,722,000	2,633,000
Goodwill	3,515,000	3,515,000
Intangible assets, net	2,564,000	2,806,000
Deferred tax assets, net	545,000	545,000
Other assets	53,000	44,000
Total Assets	$26,396,000	$29,056,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,116,000	$ 1,041,000
Accrued expenses	1,124,000	1,081,000
Dividend payable	33,000	34,000
Notes payable	55,000	14,000
Lease liabilities, operating leases	618,000	533,000
Contingent liabilities	565,000	356,000
Other current liability	-	807,000
Customer advances	662,000	990,000
Total current liabilities	4,173,000	4,856,000
Notes payable, net of current portion	92,000	14,000
Other non-current liability	1,434,000	1,309,000
Contingent liabilities, net of current portion	-	689,000
Lease liabilities, operating leases	2,184,000	2,168,000
Total liabilities	7,883,000	9,036,000
Commitments and contingencies		
Stockholders' Equity:		
Common stock, $0.10 par value, 10,000,000 shares authorized, 3,530,000 and 3,522,000 shares issued at December 31, 2023 and 2022, respectively, and 3,342,000 and 3,361,000 shares outstanding at December 31, 2023 and 2022, respectively	353,000	352,000
Additional paid-in capital	17,233,000	17,186,000
Treasury stock, at cost, 188,000 and 161,000 shares at December 31, 2023 and 2022, respectively	(1,224,000)	(1,040,000)
Retained earnings	2,151,000	3,522,000
Stockholders’ equity	18,513,000	20,020,000
Total Liabilities and Stockholders' Equity	$26,396,000	$29,056,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,	**2023**	**2022**
Net sales	$27,556,000	$26,074,000
Cost of sales	18,830,000	17,268,000
Gross profit	8,726,000	8,806,000
Selling, general and administrative expenses	9,707,000	8,788,000
Acquisition costs	-	98,000
Interest expense	10,000	1,000
Investment and other expense (income), net	84,000	(598,000)
Total expenses, net	9,801,000	8,289,000
(Loss) income before income tax expense	(1,075,000)	517,000
Income tax expense	72,000	36,000
Net (loss) income	**$ (1,147,000)**	**$ 481,000**
Net (loss) income per common share:		
Basic and diluted	$ (0.34)	$ 0.14
Weighted average number of common shares outstanding:		
Basic	3,343,000	3,418,000
Diluted	3,343,000	3,421,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2023 and 2022

	Common Stock 10,000,000 Shares Authorized				Treasury Stock		
	Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Shares	Amount	Total
Balance at January 1, 2022	3,511,000	$351,000	$17,109,000	$3,178,000	64,000	($384,000)	$20,254,000
Purchase of treasury stock	-	-	-	-	97,000	($656,000)	($656,000)
Share-based compensation expense	-	-	$78,000	-	-	-	$78,000
Issuance of restricted stock	11,000	$1,000	($1,000)	-	-	-	-
Cash dividends	-	-	-	($137,000)	-	-	($137,000)
Net income	-	-	-	$481,000	-	-	$481,000
Balance at December 31, 2022	3,522,000	$352,000	$17,186,000	$3,522,000	161,000	($1,040,000)	$20,020,000
Adoption of ASU 2016-13	-	-	-	$10,000	-	-	$10,000
Purchase of treasury stock	-	-	-	-	27,000	$(184,000)	($184,000)
Share-based compensation expense	-	-	$19,000	-	-	-	$19,000
Issuance of restricted stock	3,000	-	-	-	-	-	-
Issuance of stock in lieu of cash-director compensation	5,000	$1,000	$28,000	-	-	-	$29,000
Cash dividends	-	-	-	($234,000)	-	-	($234,000)
Net loss	-	-	-	($1,147,000)	-	-	($1,147,000)
Balance at December 31, 2023	3,530,000	$353,000	$17,233,000	$2,151,000	188,000	$(1,224,000)	$18,513,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,	**2023**	**2022**
Cash flows from operating activities:		
Net (loss) income	$ (1,147,000)	$ 481,000
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Stock compensation expense	48,000	78,000
Gain on sale of fixed asset	(34,000)	-
Depreciation and amortization	510,000	413,000
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease (increase) in accounts receivable	181,000	(2,046,000)
(Increase) decrease in inventories	(416,000)	1,824,000
Decrease in contract asset	52,000	212,000
Decrease (increase) in other current assets	210,000	(239,000)
(Increase) decrease in right-of-use assets	(89,000)	380,000
Increase in other long-term assets	(9,000)	(8,000)
Increase in accounts payable	75,000	483,000
Decrease in customer advances	(328,000)	(459,000)
Increase (decrease) in lease liability	101,000	(368,000)
Increase in accrued expenses	43,000	86,000
Decrease in other current liability	(807,000)	-
Increase (decrease) in contingent liability	79,000	(146,000)
Increase (decrease) in other non-current liability	125,000	(441,000)
Net cash (used in) provided by operating activities	(1,406,000)	250,000
Cash flows from investing activities:		
Purchase of property and equipment	(731,000)	(252,000)
Cash paid for acquisition	-	(4,172,000)
Sale of fixed asset	45,000	-
Net cash used in investing activities	(686,000)	(4,424,000)
Cash flows from financing activities:		
Purchase of treasury stock	(184,000)	(656,000)
Notes payable – proceeds	150,000	42,000
Notes payable – payments	(31,000)	(14,000)
Cash dividends paid	(234,000)	(102,000)
Payment of contingent liabilities	(559,000)	(96,000)
Net cash used in financing activities	(858,000)	(826,000)

(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

Years ended December 31,	**2023**	**2022**
Net decrease in cash and cash equivalents	$ (2,950,000)	$ (5,000,000)
Cash and cash equivalents at beginning of year	4,215,000	9,215,000
Cash and cash equivalents at end of year	$ 1,265,000	$ 4,215,000

Supplemental disclosures of cash flow information:

Cash paid during the year for income taxes, net	$ 63,000	$ 47,000

Supplemental disclosures of noncash investing and financing activities:

Cash dividends declared and not paid	$ 33,000	$ 34,000

See Notes to Consolidated Financial Statements

1. ORGANIZATION AND BUSINESS:

The consolidated financial statements include the accounts of Orbit International Corp. and its wholly owned subsidiaries (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

The Company currently operates in two reporting segments, the Electronics Group and the Power Group. The Electronics Group is comprised of the Company's Orbit Instrument ("Orbit") and Tulip Development Laboratory ("TDL") divisions and Simulator Product Solutions LLC ("SPS") and Q-Vio Corp. ("Q-Vio") subsidiaries. Orbit and TDL are engaged in the design and manufacture of electronic components and subsystems. SPS is engaged in the manufacture of military simulation multi-function displays and Q-Vio is engaged in the design and enhancement of LCD display modules. The Power Group is comprised of the Company's Behlman Electronics Inc. subsidiary and is engaged in the design and manufacture of commercial and custom power units. The Electronics Group and the Power Group both conduct their operations in the United States. The majority of the Company's customers are comprised of various agencies and prime and lower tier subcontractors of the U.S. government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, the Company re-evaluates its judgments and estimates including those related to inventory valuation, the valuation allowance on its deferred tax assets, goodwill impairment and valuation of share-based compensation.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash in bank deposit accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Allowance for Credit Losses

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for credit losses. As of January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses,* which essentially requires the earlier recognition of estimated credit losses on receivables. The adoption of this ASU did not have a significant impact on the Company's financial statements. The Company estimates its allowance for credit losses based on the number of days outstanding of invoices comprising its accounts receivable at the balance sheet date, historical bad debts, factors related to specific customers' ability to pay, and current economic trends.

Inventories

Inventories, which consist of raw materials, work-in-process, and finished goods, are recorded at the lower of cost (average cost method) or net realizable value. Inventories are shown net of any reserves relating to any potential slow moving or obsolete inventory.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization of the respective assets are computed using the straight-line method over their estimated useful lives ranging from 3 to 19 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease or the estimated useful life of the improvement, whichever is less.

Long-Lived Assets

When impairment indicators are present, the Company reviews the carrying value of its long-lived assets in determining the ultimate recoverability of their unamortized values using future undiscounted cash flow analyses. In the event the future undiscounted cash flows of the long-lived asset are less than the carrying value, the Company will record an impairment charge for the difference between the carrying value and the fair value of the long-lived asset.

Goodwill

The Company records goodwill as the excess of purchase price over the fair value of identifiable net assets acquired. In accordance with Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, goodwill is not amortized but instead tested for impairment on at least an annual basis. The Company, where appropriate, will utilize ASU 2011-08, *Intangibles - Goodwill and Other*, which allows the Company to not perform the two-step goodwill impairment test if it determines that it is not more likely than not that the fair value of the reporting unit is less than the carrying amount based on a qualitative assessment of the reporting unit. The Company's annual goodwill impairment test is performed in the fourth quarter each year or sooner when impairment indicators are present. If the goodwill is deemed to be impaired, the difference between the carrying amount reflected in the consolidated financial statements and the estimated fair value is recognized as an expense in the period in which the impairment occurs. In determining the recoverability of goodwill, assumptions are made regarding estimated future cash flows and other factors to determine the fair value of the assets.

Income Taxes

The Company recognizes deferred tax assets and liabilities in accordance with ASC 740, *Income Taxes*, based on the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances have been established to reduce deferred tax assets to the amount expected to be realized. The Company evaluates uncertain tax positions and accounts for such items in accordance with ASC 740-10, *Income Taxes – Overall*. The Company is subject to federal income taxes and files a consolidated U.S. federal income tax return. In addition to the federal tax return, the Company files income tax returns in various state jurisdictions on both an unconsolidated and consolidated basis depending on the respective state. The Company is subject to routine income tax audits in various jurisdictions and tax returns remain open to examination by such taxing authorities in accordance with their respective statutes.

Revenue and Cost Recognition

The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers.* The core principle of this Topic is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company recognizes revenue when control transfers to its customer. The Company has determined that control transfers to its customers over time when a contract contains an enforceable right to payment for performance completed to date, such as a termination for convenience provision, and when the manufactured product has no alternative use. The Company has determined that it has no alternative use for certain of its products when they reach the finished good/top assembly stage. Before that point, the product is considered inventory. The Company recognizes revenue over time using an output method based on units shipped with an adjustment to revenue and ending inventory for any product where control has deemed to transfer to the customer. The adjustment to revenue is based on the stand-alone selling price of the unit multiplied by the equivalent number of units in ending inventory. The adjustment to ending inventory and cost of sales is based on the estimated material, direct labor and overhead costs associated with the units in ending inventory. The Company recognizes revenue at a point in time (when shipped) for all other contracts that either do not contain an enforceable right to payment for performance completed to date or where the top assembly/finished good has alternative use. The timing of revenue recognition for all of the Company's contracts, which include revenue recognized at a point in time as well as over time, is primarily related to the customer delivery schedules outlined in its contracts. Revenue may be recognized sooner on contracts accounted for over time since product may be in the finished goods or top assembly stage for a short period of time before shipment is made. This may overlap a financial reporting period causing revenue to be recognized, if certain conditions are met, on certain finished goods or top assembly inventory.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue as of a point in time or over time. The Company's remaining performance obligations, which it refers to as its backlog, was $17,400,000 at December 31, 2023. The period of performance for its backlog, pursuant to current delivery schedules, is estimated to be approximately $15,100,000 in 2024 and $1,800,000 in 2025 and $500,000 in 2026.

The Company's contract liabilities at December 31, 2023 and 2022 consist of advance payments from customers in the amount of $662,000 and $990,000, respectively. The Company's contract assets account represents revenue that it has recognized but has not yet shipped or billed its customer for. This account will be reversed, and accounts receivable will be increased when the Company ships its product and invoices its customer. The Company's payment terms with its customers are typically net 30 days. Most contracts are for products made to customer specifications with no right of return. All units are shipped with a one-year warranty.

The following table summarizes the Company's contract assets balances:

	2023	2022
Contract Assets-January 1	$ 436,000	$ 648,000
Contract Assets-December 31	$ 384,000	$ 436,000
Change	$ 52,000	$ 212,000

The decrease in the contract assets account from January 1, 2023 to December 31, 2023 was primarily the result of the shipment of product for which revenue was previously recognized.

Advertising

The Company expenses advertising as incurred. The Company recorded $136,000 and $120,000 of advertising expense during the years ended December 31, 2023 and 2022, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation awards, settled in stock, based on the fair value of the awards on the date of grant and expenses such compensation over the vesting periods of the awards. The Company accounts for stock-based compensation awards, settled in cash (e.g., Stock Appreciation Rights "SARS"), based on the fair value of such awards at each reporting period and expenses such compensation over the requisite service period.

Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net earnings by the sum of the weighted average number of shares of common stock and the dilutive effect of unexercised stock options and the unearned portion of restricted stock awards.

Freight and Delivery Costs

The Company's freight out and delivery costs were $27,000 and $40,000 for the years ended December 31, 2023 and 2022, respectively. These costs are included in selling, general and administrative expenses.

Research and Development Expenses

Research and development expenses are expensed when incurred. The Company expensed approximately $1,928,000 and $1,828,000 for research and development during the years ended December 31, 2023 and 2022, respectively, which are included in selling, general and administrative expenses.

Leases

The Company accounts for its leases in accordance with ASC Topic 842, *Leases*.

Fair Value Measurement

The Company measures the fair value of certain financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1— Quoted prices for identical instruments in active markets;

Level 2— Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3— Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As of December 31, 2023 and 2022, the carrying amounts reflected in the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and other current liability approximated their carrying value due to their short-term nature. The only recurring assets or liabilities recorded at fair value are the Company's contingent liabilities, other non-current liability and stock-based compensation settled in cash ("SARS") which are included in accrued expenses in the consolidated balance sheet at December 31, 2023.

3. INVENTORIES:

Inventories consist of the following:

December 31,	2023	2022
Raw materials	$ 6,555,000	$ 6,283,000
Work-in-process	2,812,000	2,887,000
Finished goods	667,000	448,000
	$10,034,000	$ 9,618,000

4. GOODWILL AND INTANGIBLE ASSETS:

In accordance with ASC Topic 350, the Company amortizes intangible assets with a finite life over their useful life and goodwill is not amortized but evaluated for impairment.

As of December 31, 2023, the Company's intangible assets and goodwill consist of the following:

Description	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net Accumulated Impairment	Carrying Value
Goodwill	N/A	$3,515,000	$ -	$ -	$3,515,000
Customer relationships	15 years	2,287,000	304,000	-	1,983,000
Trade name	10 years	627,000	126,000	-	501,000
Noncompete agreement	5 years	134,000	54,000	-	80,000
		$6,563,000	$ 484,000	$ -	$6,079,000

As of December 31, 2022, the Company's intangible assets and goodwill consist of the following:

Description	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net Accumulated Impairment	Carrying Value
Goodwill	N/A	$3,515,000	$ -	$ -	$3,515,000
Customer relationships	15 years	2,287,000	152,000	-	2,135,000
Trade name	10 years	627,000	63,000	-	564,000
Noncompete agreement	5 years	134,000	27,000	-	107,000
		$6,563,000	$ 242,000	$ -	$6,321,000

Amortization expense on the Company's intangible assets with finite lives is expected to be as follows:

2024	$ 242,000
2025	242,000
2026	242,000
2027	215,000
2028	215,000
2029 and thereafter	$ 1,408,000

The Company recognized amortization expense relating to its intangible assets of $242,000 during the years ended December 31 2023 and 2022, respectively.

At December 31, 2023, in connection with the annual impairment testing pursuant to ASC 350, the Company performed a qualitative assessment of SPS, Behlman and Q-Vio's goodwill. Based on the assessment, the Company concluded at December 31, 2023 that the fair value of SPS, Behlman and Q-Vio was more likely than not greater than its carrying amount. The Company's conclusion was based on certain factors, such as: i) SPS, Behlman and Q-Vio's bookings and revenue in 2023, (ii) SPS, Behlman and Q-Vio's backlog at December 31, 2023 and (iii) SPS, Behlman and Q-Vio's projected bookings, revenue and net income in 2024. There were no goodwill impairments in 2022.

5. LEASES:

The Company accounts for its operating leases under ASC 842. As a practical expedient, the Company has determined that certain leases are immaterial if at lease commencement, the term is less than one (1) year and/or the present value of the lease payments are under a certain threshold considered to be material to the Company's consolidated balance sheet.

The Company's leases include its manufacturing facilities located in Hauppauge, NY and Carson, CA, certain office equipment and certain other leases deemed immaterial. During 2021, the Company entered into an amendment for lease at its Hauppauge location, which extended the expiration date to December 31, 2027. In August 2023, SPS entered into a lease for an additional 6,720 square feet of contiguous space at the same Carson, CA location that it currently leases space in.

The Company's weighted average lease term was 3.63 and 4.82 years at December 31, 2023 and 2022, respectively. The Company's weighted average discount rate was 4.28% and 3.31% at December 31, 2023 and 2022, respectively. The discount rate within the Company's leases is not generally determinable; therefore, the Company uses its incremental borrowing rate.

The Company's lease expense for all operating leases for the years ended December 31, 2023 and 2022 were $683,000 and $671,000, respectively.

Future minimum lease payments as of December 31, 2023 under all operating lease agreements are as follows:

Year	Minimum Lease Payments
2024	$ 735,000
2025	752,000
2026	742,000
2027	743,000
2028	117,000
Total minimum lease payments-undiscounted	$3,089,000

Reconciliation of the undiscounted cash flows in the maturity analysis above and the lease liabilities recognized in the consolidated balance sheet as of December 31, 2023, is as follows:

Total minimum lease payments-undiscounted	$3,089,000
Immaterial leases	(19,000)
Discount effect of cash flows	(268,000)
Lease liabilities	$2,802,000

6. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consist of the following:

December 31,	2023	2022
Leasehold improvements	$ 529,000	$ 278,000
Demo equipment	206,000	179,000
Computer equipment	1,169,000	1,026,000
Machinery and equipment	2,345,000	2,076,000
Autos	21,000	21,000
Furniture and fixtures	774,000	756,000
	5,044,000	4,336,000
Accumulated depreciation and amortization	(3,823,000)	(3,566,000)
	$ 1,221,000	$ 770,000

The Company recognized, on a straight-line basis, depreciation and amortization expense of $510,000 and $413,000 for the years ended December 31, 2023 and 2022, respectively.

7. DEBT:

The Company has a committed line of credit (“Credit Agreement”) with M&T Bank (“M&T) for up to $6,000,000. This line of credit is for the Company’s general working capital needs and has an expiration date of August 1, 2025.

Payment of interest on the line of credit is due at a rate per annum as follows: either (i) variable at the lender’s prime lending rate (8.50% at December 31, 2023) and/or (ii) 2.10% over SOFR (5.38% at December 31, 2023) for one- or three-month maturities at the Company’s sole discretion. The line of credit is collateralized by a first priority security interest in all of the Company’s tangible and intangible assets. The Company had no borrowings under the line of credit at December 31, 2023. The Company had $6,000,000 of availability under its line of credit at December 31, 2023.

The Credit Agreement contains customary affirmative and negative covenants and certain financial covenants. Additionally, available borrowings under the line of credit are subject to a borrowing base of eligible accounts receivable and inventory. All outstanding borrowings under the line of credit are accelerated and become immediately due and payable (and the line of credit terminates) in the event of a default, as defined, under the Credit Agreement.

The Company was not in compliance with certain financial covenants contained in its Credit Agreement for the year ended December 31, 2023 as well as for each quarterly period in 2023. The Company was also not in compliance with an affirmative covenant for certain reporting periods in 2023. The Company has requested waivers from M&T Bank for the covenant non-compliances. Additionally, the Company has requested that both of its financial covenants be amended in its Credit Agreement for certain reporting periods in 2024 and 2025. During this period of non-compliance, the Company has not had a disruption in its ability to borrow under its existing line of credit as the Company borrowed and repaid $250,000 from September through December 2023.

8. STOCK-BASED COMPENSATION PLANS:

The Company has two stock-based employee compensation arrangements with an executive officer. The arrangements were effective January 1, 2021 upon the renewal of the executive officer’s employment contract. One arrangement entitles the executive officer to discretionary annual grants of up to 10,000 shares of restricted stock based upon the attainment of certain strategic goals and objectives as determined by the Company’s Compensation Committee. The second arrangement granted SARS to the executive as follows: 50,000 have an exercise price of seven ($7.00) dollars per share and 100,000 have an exercise price of eight ($8.00) dollars per share. All SARS were granted on January 1, 2021 and fully vested and became exercisable on the third anniversary date (January 1, 2024) following the effective date (January 1, 2021). Exercise date ends on the earlier of the one-year anniversary of the date that the executive’s continuous service ends or a change in control. All SARS will be settled in cash.

The Company will record stock-based compensation expense relating to the restricted stock grant when restricted stock is granted to the executive. The Compensation Committee did not grant any restricted stock to the executive in 2023. In April 2022, the Company's Compensation Committee granted 8,000 shares of restricted stock to the executive. The grant date share price was $7.25 and the grant had a total value of approximately $58,000, which was recorded to stock compensation expense over the requisite service period which was between the grant date (April 23, 2022) and the vesting date of the restricted stock award (December 15, 2022).

The fair value of the SARS grant was $0 at December 31, 2023 since the exercise prices for both the 50,000 and 100,000 SARS grants were greater than the Company's share price at December 31, 2023.

The Company estimated the fair value of the SARS grant to be $63,000 at December 31, 2022 using the Black-Scholes-Merton valuation model. The assumptions used to calculate the fair value of the SARS grant at December 31, 2022 were as follows: expected volatility (29.51%), risk-free interest rate (4.73%), expected term (one-year) and dividend yield (N/A). Expected volatility assumptions were based on the volatility of the Company's stock price during the one-year period ending December 31, 2022. The risk-free rate is derived from the one-year U.S. treasury yield as of December 31, 2022. The expected term of the SARS is based on the remaining one-year vesting period of the grant (as of December 31, 2022). There is no dividend yield since the SARS will be settled in cash.

On January 1, 2024, the Company's Board of Directors granted 1,000 shares of restricted stock to each of its three independent directors as part of their annual compensation. The grant date share price was $4.51 and the grant had a total value of approximately $14,000, which will be recorded to stock compensation expense over the requisite service period which was between the grant date (January 1, 2024) and the vesting date of the restricted stock award (January 1, 2025).

On January 1, 2023, the Company's Board of Directors granted 1,000 shares of restricted stock to each of its two independent directors as part of their annual compensation. The grant date share price was $6.38 and the grant had a total value of approximately $13,000, which was recorded to stock compensation expense over the requisite service period which was between the grant date (January 1, 2023) and the vesting date of the restricted stock award (January 1, 2024). On February 3, 2023, the Company's Board of Directors granted 917 shares of restricted stock to a newly appointed independent director as part of his annual compensation. The grant date share price was $6.70 and the grant had a total value of approximately $6,000 which was recorded to stock compensation expense over the requisite service period which was between the grant date (February 3, 2023) and the vesting date of the restricted stock award (January 1, 2024).

Beginning January 2023, one of the Company's outside directors elected to receive his director compensation in the form of the Company's stock in lieu of cash. This election resulted in the issuance of approximately 5,000 shares of the Company's stock in 2023.

9. EMPLOYEE BENEFIT PLAN:

A defined contribution plan provides benefits to certain employees who meet specified minimum service and age requirements. The plan provides for contributions by the Company equal to 1/2 of employee contributions (but not more than 2% of eligible compensation) and the Company may make additional contributions out of current or accumulated net earnings at the sole discretion of the Company's management.

The Company contributed approximately $145,000 and $139,000 to the plan during the years ended December 31, 2023 and 2022, respectively.

10. INCOME TAXES:

The Company is subject to federal income taxes and files a consolidated U.S. federal income tax return. In addition to the federal tax return, the Company files income tax returns in various state jurisdictions on a combined or separate basis. Certain state jurisdictions require tax computations on a basis other than taxable income.

The Company's pre-tax effected federal net operating loss carryforwards amounted to approximately $3,859,000 at December 31, 2023.

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax expense is as follows:

December 31,	2023	2022
Tax at U.S. statutory rates	(21.0)%	21.0%
State income taxes	7.0%	7.0%
Change in valuation allowance	21.0%	(21.0)%
	7.0%	7.0%

Deferred tax assets are comprised of the following:

December 31,	2023	2022
Net operating loss carryforwards	$845,000	$1,345,000
Temporary differences in bases of assets and liabilities:		
Accounts receivable	19,000	24,000
Inventory	613,000	376,000
Contract assets	(42,000)	(49,000)
Property and equipment	(197,000)	(4,000)
Accrued expenses	116,000	136,000
Goodwill	102,000	(229,000)
Intangible assets	(15,000)	9,000
Section 174-R&D expenses	763,000	-
Total temporary differences	1,359,000	263,000
Total deferred tax assets, net	2,204,000	1,608,000
Valuation allowance	(1,659,000)	(1,063,000)
Net deferred tax assets	$ 545,000	$ 545,000

The provision for (benefit from) income taxes consists of the following:

	2023	2022
Current income tax expense (benefit):		
Federal	$ -	$ -
State	72,000	36,000
Total	72,000	36,000
Deferred income tax expense (benefit), net:		
Federal	566,000	115,000
State	30,000	5,000
Change in valuation allowance	(596,000)	(120,000)
Total	-	-
Total	$ 72,000	$ 36,000

As of December 31, 2023 and 2022, the Company had no material uncertain tax positions. The Company is subject to routine income tax audits in various jurisdictions and tax returns from December 31, 2020 remain open to examination by such taxing authorities. The Company did not record any tax related penalties. If the Company had any penalties relating to taxes, they would be recorded in income tax expense (benefit).

11. SIGNIFICANT CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK:

Sales to significant customers accounted for approximately 12% of the Company's consolidated net sales for the year ended December 31, 2023 and sales to significant customers accounted for 27% (17% and 10%) of the Company’s consolidated net sales for the comparable 2022 period. At December 31, 2023, the Company had approximately 45% (17%, 14% and 14%) of its accounts receivable balance due from three customers. The majority of the Company’s consolidated sales are related to programs procured by the Department of Defense.

For the years ended December 31, 2023 and 2022, significant customers of the Company's Electronics Group accounted for approximately 49% (14%, 14%, 11%, and 10%) and 58% (25%, 21% and 12%), respectively, of the Electronics Group's net sales. At December 31, 2023, the Company’s Electronics Group had approximately 78% (28%, 23%, 14% and 13%) of its accounts receivable balance due from four customers.

A significant customer of the Company's Power Group accounted for approximately 11% of the Power Group's net sales for the years ended December 31, 2022. At December 31, 2023, the Company’s Power Group had approximately 78% (35%, 17%, 14% and 12%) of its accounts receivable balance due from four customers.

A substantial portion of the net sales is subject to audit by agencies of the U.S. government. In the opinion of management, adjustments to such sales, if any, will not have a material effect on the Company's consolidated financial position or results of operations.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables from its customers.

The Company performs credit evaluations on its customers and collateral is generally not required. Credit losses are provided for in the consolidated financial statements during the period in which an impairment has been determined.

12. COMMITMENTS:

The Company has employment agreements with three executive officers and two key employees. At December 31, 2023, the total contractual obligations under these agreements over the next three years are approximately $1,802,000. Two of the executive officers are entitled to bonuses based on certain performance criteria, as defined. One other executive officer and seven key employees are entitled to bonuses based on a percentage of earnings before taxes. Total bonus compensation expense was approximately $87,000 and $86,000 for years ended December 31, 2023 and 2022, respectively.

From time to time, the Company may become a party to litigation or other legal proceedings that it considers to be a part of the ordinary course of business. The Company is not currently involved in any legal proceedings that could reasonably be expected to have a material adverse effect on its business, prospects, financial condition or results of operations.

13. BUSINESS SEGMENTS:

The Company conducts its operations through two business segments, the Electronics Segment (or “Electronics Group”) and the Power Units Segment (or “Power Group”). The Electronics Group is comprised of the Company’s Orbit Instrument and Tulip Development Laboratory (“TDL”) Divisions and Simulator Product Solutions LLC (“SPS”) and Q-Vio Corp. (“Q-Vio”) subsidiaries. Through its Orbit Instrument and TDL Divisions, the Company is engaged in the design, manufacture and sale of customized electronic components and subsystems. Through its SPS subsidiary, the Company is engaged in the manufacturer of military simulation and training bezels, electronic control assemblies and multi-function displays. Through its Q-Vio subsidiary, the Company is engaged in the design and enhancement of LCD display modules. The Power Group is comprised of Behlman and is engaged in the design and manufacture of high-quality commercial power units, AC power, frequency converters, uninterruptible power supplies, armament systems and commercial-off-the-shelf (“COTS”) power solutions.

The Company's reportable segments are business units that offer different products with each segment utilizing its own direct labor personnel. The Company's reportable segments are each managed separately as they manufacture and distribute distinct products with different production processes. Management and the Company’s Chief Executive Officer, who is also the Chief Operating Decision Maker, evaluate performance of the Company’s reportable segments based on each segment’s revenue and profitability.

The following is the Company's reporting segment information as of and for the years ended December 31, 2023 and 2022:

Year ended December 31,	2023	2022
Net sales:		
Electronics Group:		
Domestic	$ 18,222,000	$ 17,554,000
Foreign	620,000	603,000
Total Electronics Group	18,842,000	18,157,000
Power Group:		
Domestic	8,067,000	7,245,000
Foreign	647,000	672,000
Total Power Group	8,714,000	7,917,000
Total net sales	$27,556,000	$26,074,000

Year ended December 31,	2023	2022
(Loss) income before income tax expense:		
Electronics Group	$ 267,000	$ 1,065,000
Power Group	(456,000)	(183,000)
General corporate expenses not allocated	(792,000)	(864,000)
Interest expense	(10,000)	(1,000)
Investment and other (expense) income, net	(84,000)	598,000
Acquisition costs	-	(98,000)
(Loss) income before income tax expense	$ (1,075,000)	$ 517,000

December 31,	2023	2022
Assets:		
Electronics Group (1)	$ 9,649,000	$ 8,867,000
Power Group (2)	6,083,000	6,431,000
General corporate assets not allocated	10,664,000	13,758,000
Total assets	$26,396,000	$ 29,056,000

(1) Includes property and equipment, net of $1,097,000 and $658,000 at December 31, 2023 and 2022, respectively.
(2) Includes property and equipment, net of $124,000 and $112,000 at December 31, 2023 and 2022, respectively.

Year ended December 31,	2023	2022
Depreciation and amortization:		
Electronics Group	$ 475,000	$ 378,000
Power Group	35,000	35,000
Total depreciation and amortization	$ 510,000	$ 413,000

14. NET INCOME (LOSS) PER COMMON SHARE:

The following table sets forth the computation of basic and diluted net income (loss) per common share:

Year Ended December 31,	2023	2022
Denominator:		
Denominator for basic net income (loss) per share – weighted average common shares	3,343,000	3,418,000
Effect of dilutive securities:		
Unearned restricted stock to employees	-	3,000
Denominator for diluted net income (loss) per share – weighted average common shares and assumed conversions	3,343,000	3,421,000

The numerator for basic and diluted net income (loss) per share for the years ended December 31, 2023 and 2022 is the net income (loss) for each year.

Approximately 3,000 shares of restricted stock were outstanding at December 31, 2022,but were not included in the computation of basic net income (loss) per share. These shares were excluded because they represent the unvested portion of restricted stock awards.

15. EQUITY:

In April 2020, the Company's Board of Directors decided to suspend the Company's share repurchase program due to the economic uncertainty related to the COVID-19 pandemic.

In June 2021, the Company's Board of Directors decided to recommence its stock repurchase program and authorized management to enter into a new 10b5-1 Plan ("2021 10b5-1 Plan"), effective June 1, 2021. The 2021 10b5-1 Plan allowed the Company to purchase up to $600,000 of its common stock from July 1, 2021 through June 30, 2022. In December 2021, the Company's Board of Directors increased the amount the Company can repurchase under the 2021 10b5-1 plan to approximately $784,000. In June 2022, the Company's Board of Directors extended the expiration date on the 2021 10b5-1 plan to June 30, 2023. Through August 22, 2022, the Company purchased 121,785 shares of its common stock under the 2021 10b5-1 Plan, for total cash consideration of approximately $784,000 at an average price of $6.44 per share. This completed the funding available under the 2021 10b5-1 Plan.

On August 22, 2022, The Company's Board of Directors authorized management to enter into a new 10b5-1 Plan ("2022 10b5-1 Plan"), effective August 22, 2022. The 2022 10b5-1 Plan allows the Company to purchase up to $500,000 of its common stock from August 23, 2022 through June 30, 2023. In December 2022, the Company's Board of Directors increased the amount the Company can repurchase under the 2022 10b5-1 plan to approximately $900,000. Through May 15, 2023, the Company purchased 66,400 shares of its common stock under the 2022 10b5-1 Plan, for total cash consideration of approximately $440,000 at an average price of $6.62 per share.

In May 2023, the Company's stock was moved from the OTC Pink Market to the OTC Expert Market. The Company's Board of Directors decided to suspend the 2022 10b5-1 Plan, effective May 16, 2023, until the Company is reinstated onto the OTC Pink Market. The Company filed its 2022 Annual report on March 11, 2024 and has requested to be reinstated on the OTC Pink Market, although the timing of any such reinstatement is uncertain.

16. CASH DIVIDENDS:

In April 2020, the Company's Board of Directors decided to suspend the Company's $0.01 quarterly cash dividend due to the economic uncertainty related to the COVID-19 pandemic.

In March 2022, the Company's Board of Directors authorized the Company to recommence its quarterly cash dividend payments and declared a quarterly cash dividend of $0.01 per share payable to stockholders of record as of March 31, 2022 with a payment date of April 7, 2022. The total cash dividend amounted to approximately $34,000.

In June 2022, the Company's Board of Directors declared a quarterly dividend of $0.01 per share payable to stockholders of record as of June 30, 2022 with a payment date of July 7, 2022. The total cash dividend amounted to approximately $34,000.

In September 2022, the Company's Board of Directors declared a quarterly dividend of $0.01 per share payable to stockholders of record as of September 30, 2022 with a payment date of October 7, 2022. The total cash dividend amounted to approximately $34,000.

In November 2022, the Company's Board of Directors declared a quarterly dividend of $0.01 per share payable to stockholders of record as of December 31, 2022 with a payment date of January 9, 2023. The total cash dividend amounted to approximately $34,000.

In March 2023, the Company's Board of Directors declared two cash dividends: 1) a quarterly dividend of $0.01 per share and 2) a special cash dividend of $0.03 per share. Both cash dividends are payable to stockholders of record as of April 21, 2023 with a payment date of April 28, 2023. The total of the cash dividends amounted to approximately $134,000.

In June 2023, the Company's Board of Directors declared a quarterly dividend of $0.01 per share payable to stockholders of record as of June 30, 2023 with a payment date of July 7, 2023. The total cash dividend amounted to approximately $33,000.

In September 2023, the Company's Board of Directors declared a quarterly dividend of $0.01 per share payable to stockholders of record as of September 29, 2023 with a payment date of October 6, 2023. The total cash dividend amounted to approximately $33,000.

In December 2023, the Company's Board of Directors declared a quarterly dividend of $0.01 per share payable to stockholders of record as of December 31, 2023 with a payment date of January 9, 2024. The total cash dividend amounted to approximately $33,000.

In March 2024, the Company's Board of Directors declared a quarterly dividend of $0.01 per share payable to stockholders of record as of March 31, 2024 with a payment date of April 5, 2024. The total cash dividend amounted to approximately $33,000.

17. ACQUISITION:

On January 3, 2022, the Company, through a newly formed subsidiary, Simulator Products Solutions LLC ("SPS"), completed the acquisition of the assets and business of Panel Products, Inc. ("Panel"), a Carson, CA based manufacturer of military simulation and training bezels, electronic control assemblies and multi-function displays.

The purchase price for the acquisition was originally estimated at approximately $6,672,000, with $4,172,000 of the purchase price paid in cash at closing, an aggregate of up to $1,200,000 in performance related payments payable at the end of 2022 and 2023, and the issuance to Panel of a 19.9% ownership interest in SPS estimated at $1,300,000. In accordance with ASC Topic 805, *Business Combinations*, the Company performed a fair value analysis of the acquisition and based on that analysis, the purchase price for the acquisition was valued at approximately $6,905,000, with $4,172,000 of the purchase price paid in cash at closing, an aggregate of approximately $983,000 in performance related payments payable at the end of 2022 and 2023 and the issuance to Panel of a 19.9% ownership interest in SPS valued at $1,750,000.

In connection with the acquisition, SPS entered into a three-year employment agreement with the seller of Panel, who will be its President ("SPS President"). The agreement is subject to a three-year extension at the option of SPS' President. In addition, prior to its expiration, the agreement may be terminated by either party under certain circumstances. Upon the conclusion of the employment agreement with SPS' President, Orbit is obligated to purchase Panel's 19.9% interest in SPS for a minimum of $1,300,000, which amount may be increased in accordance with a pre-determined formula based on the future operating results of SPS.

The reason for the acquisition was principally to attain accretion to earnings, cross-marketing opportunities and the expansion of both customer and product bases. The acquisition was accounted for as a business combination in accordance with ASC Topic 805. Accordingly, the Company is required to determine and record the fair value of the assets acquired, including any potential intangible assets, and liabilities assumed at the date of acquisition.

In accordance with ASC Topic 805, the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including the fair value of the implied consideration which included the earn-out and 19.9% ownership interest buyback, were based on estimates and assumptions made by management. The estimates and assumptions used included the economic outlook for the industry SPS operates in, an analysis of SPS' financial and operating projections, a gathering of market data related to licenses of trade names in related industries and an analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of fair value. The fair value of the inventory acquired was based on a top-down analysis of the expected sales price less costs to complete the sale. The customer relationships, trade names, and noncompete were determined using an income approach employing variants of the discounted cash flow method. The goodwill value was determined using a residual approach by comparing the fair value of the assumed liabilities and equity consideration paid less the fair value of the tangible and separately identified assets. The fair value of the earn-out was based on a Monte Carlo simulation model and the fair value of the 19.9% ownership interest buyback was based on a transaction price and a put option analysis of the downside protection. Useful lives of the intangible assets acquired were determined to be as follows: customer relationships –15 years, trade name – 10 years and noncompete agreement –5 years. The total purchase price has been allocated as follows:

Tangible assets and liabilities:	
Accounts receivable	$ 1,724,000
Inventory	2,902,000
Property and equipment	424,000
Other non-current assets	6,000
Accounts payable	(54,000)
Other current liability	(3,131,000)
Warranty liability	(45,000)
Customer deposits	(583,000)
Total net tangible assets and liabilities	1,243,000
Amortizable intangible assets:	
Customer relationships	2,287,000
Trade name	627,000
Noncompete agreement	134,000
Total amortizable intangible assets	3,048,000
Goodwill	2,614,000
Total purchase price	$ 6,905,000

Direct costs associated with the acquisition totaled $461,000 with $98,000 recognized during the year ended December 31, 2022 and are included as a separate line item titled acquisition costs in the consolidated statements of operations. The direct acquisition costs consisted of legal and professional fees, and general and administrative expenses.

The Company's consolidated statement of operations for the year ended December 31, 2022 and its consolidated balance sheet at December 31, 2022 include the financial results of SPS as the acquisition was completed on January 3, 2022.

18. LIABILITIES: Included in the Company's consolidated balance sheets at December 31, 2023 and 2022, are the following liabilities:

Liability	Balance at December 31, 2023	Balance at December 31, 2022	Description
Other current liability	$0	$807,000	This liability represents the excess working capital delivered at closing by Panel Products Inc. that was above the amount contractually required. This liability was paid in January 2023.
Other non-current liability	$1,434,000	$1,309,000	This liability represents the fair value of Panel Products Inc.'s 19.9% equity interest in SPS. This liability is expected to be paid at the end of the employment contract of SPS' President.
Contingent liabilities, sum of current and non-current portions	$565,000	$1,045,000	The sum of the current and non-current portions of this liability represents the total fair value of the separate earn-outs associated with the Q-Vio and SPS acquisitions. The fair value of the Q-Vio earn-out liability was estimated to be $111,000 at December 31, 2022 and was paid in May 2023. The fair value of the SPS earn-out liability was estimated to be $934,000 at December 31, 2022. In December 2023, $448,000 of the SPS earn-out liability was paid and the fair value of the remaining earn-out liability at December 31, 2023 is estimated to be $565,000 which is expected to be paid in April 2024.

19. SUBSEQUENT EVENT: On May 16, 2023, the Company's stock moved from the OTC Pink Market to the OTC Expert Market due to a delay in the filing of its 2022 Annual Report. The Company filed its 2022 Annual report on March 11, 2024 and has requested to be reinstated on the OTC Pink Market, although the timing of any such reinstatement is uncertain.

In March 2024, the Company announced that Karl Schmidt, its Chief Operating Officer, will transition to the role of advisor to the CEO, Mitchell Binder, effective May 1, 2024. Mr. Schmidt will remain with the Company through the end of 2024 to assure the orderly transition of his duties and responsibilities to key members of Orbit's management team.